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PUBLIC HEARING  
BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI

IN RE: The Matter of  
Natural Gas Commodity Price Task Force

10 BE IT REMEMBERED that the above-entitled matter

11 came on for public hearing at the University of Missouri, St. Louis, J. C.  
Penny Conference Room 126, in the County of St. Louis, State of Missouri, on the 4<sup>th</sup>  
day of May, A. D., 2001, commencing at the hour of 6:30 in the evening of that day,  
said hearing having been called to order by the Chairman and the panel members of the  
Natural Gas Commodity Price Task Force pursuant to the issuance of due notice to all  
parties in interest, and the following is the transcript of the record made of all  
proceedings had during the course of said hearing.

Concannon & Jaeger St. Louis, Missouri (314) 421-1000

1 A P P E A R A N C E S

## A P P E A R A N C E S

3 Mr. Warren Wood - Chairman

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4 Mr. Michael C. Pendergast - Panel Member

Mr. Michael C. Pendergast - Panel Member

5 Ms. Lera Shemwell - Panel Member

Ms. Lera Shemwell - Panel Member

6 Mr. Joseph L. Schulte - Panel Member

Mr. Joseph L. Schulte - Panel Member

7 Mr. Michael J. Laethen - Panel Member

Mr. Michael J. Laethen - Panel Member

8 Mr. Michael F. Dandrino - Panel Member

Mr. Michael F. Dandrino - Panel Member

9 Mr. Dave Beier - Panel Member

Mr. Dave Beier - Panel Member

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MR. WOOD: With that, we're now at the most important part of this meeting, and that's where we hear from you. We will be calling people from the sign-up sheet that I noted earlier. It's located on the table. I now have one, but there's also a sign-up sheet left back there if you'd like to speak, or we can add you to the list as we go. Now, if you wish to speak and haven't signed up, please go ahead and do so or just feel free to give me your name when you come up to the mike. With that, a couple of things I would ask of you. When you come up to speak, please try to keep your comments focused on your concerns with how current gas costs are recovered and any ideas that we have presented as a task force on ideas for the future and any ideas that you have that we may not have considered thus far. The resources of this group are not targeted at specific billing problems like disconnect notices or public billing problems. Please contact your local utility followed by the Public Service Commission, Consumer Services Department, if necessary, on those types of problems.

When you come up to the mike -- a couple of questions we would be very interested in hearing from you on are not only opinions on all of the options that we have presented but also do you generally prefer stable rates or the lowest possible rates. This is an important decision, important issue we're trying to get from every meeting we have because there are differences in purchasing strategies to achieve those outcomes.

Now, if you would rather not come up to the microphone, there is an idea form back on the table that you can fill out and give us your thoughts that way. You can either give that form to me or mail it to me at the address shown.

With that, let's turn it on over to the public portion of the meeting. The first person I had was Bob Fisch.

MR. FISCH: Thank very much. I appreciate the opportunity to speak.

I have a couple of questions. Did certain politicians recently criticize the Public Service Commission for okaying these gas increases so quickly?

Weren't there some politicians that had some comments about the Public Service Commission on that? Do you know anything about that?

MR. WOOD: I do believe I remember seeing some articles this winter with some objections to the PGA changes, yes.

MR. FISCH: Do you remember who the politicians were?

MR. WOOD: I didn't keep a list of it. There were a fair number.

MR. FISCH: Okay. Another question I have is are gas options traded as commodities on the stock market?

MR. WOOD: Yes.

MR. FISCH: So we could say that some of that profit was going to commodity traders -- a part of the reason for the increase in some of the gas prices is because it's traded on the stock market, there's a profit being given away to the people who are recipients of the funds that are collected by the stock market as the increase because it's a commodity?

MR. WOOD: You mean people who buy it at a certain price and sell it at a higher price?

MR. FISCH: Right. That's what commodities do; right?

MR. WOOD: Yes.

MR. FISCH: So somebody at the stock market is making a profit. It may also be a large cost of the increase that we're facing here?

MR. WOOD: I would hesitate to say that was a large portion of it. I think you're probably referring to market manipulation of demand and bringing up prices, in that form.

Recently, the Illinois Commerce Commission completed an investigation with a report that came out last week, I believe, that indicated they found no evidence that that was one of the primary factors this winter.

MR. FISCH: Do you know where you can get a copy of that report?

MR. WOOD: Yes. In fact, it's on the Internet. If you would like to come up after the meeting -- in fact, I have a copy in my briefcase with the website on it. I'd be happy to share it with you.

MR. FISCH: Thank you.

This is quite a bit of information here for us to try to absorb all at once. So since we're doing this, there's a couple of things I saw back here in the back.

This out-sourcing agency agreement where you ask somebody from the outside to come in and initiate the contracts, divide the gas -- I don't know how they'd do any better with that than Laclede Gas. After all, they've been doing it for years. I would think that they would know where the cheapest place is for them to get it.

Nobody is saying that Laclede Gas shouldn't be entitled to a profit because, after all, they are an entity of some sort. You know, they don't work for nothing. We know that. How much of a profit? Some people have a tendency to question that.

You might assume that -- there's a lot of people that are outraged right now at the high gas prices. The people in particular that I'm talking about are the people that are aware of what the poor are going through in order to try to survive this thing. I know a lot of people that went over to Step Incorporated and filed for some benefits that the state may have been giving away.

I don't know if -- who was involved in that in any way.

They went over and filed for these benefits or filed for help from the state, and the state said, sure, we'll help you and the next thing you know we're still getting a disconnect notice in the mail because, evidently, Laclede Gas wasn't getting the call. Well, if you call Laclede Gas, they'd say we're not getting the calls from Step Incorporated. And you call Step Incorporated, they say, oh, we've already called and it's already been done. And people are still getting disconnect notices in the mail even with -- and those are the poorest of the poor, the people that are having a hard time making their ends meet. It seemed to be quite a bit of a problem because there was an awful lot of confusion there.

One -- in Group 1, Choice Number 1 on this

Attachment No. 7, State Take Over Planning and Purchasing of Gas. Gee, I don't know. I mean, the state hasn't done such a good job yet. You know, I mean, I don't know if I'd like that or not.

And the Alternative Recovery Mechanisms for Low and Fixed Income Customers, that was the best idea I heard. If you want a comment, out of everything that you said today, that was the one that I liked the most.

Because if my understanding is right, you're going to take and charge a higher rate for everybody that's in there so that you can cover low income people? Is that what it is, basically? It's going to be spread out among all payers?

MR. WOOD: The Kentucky CAP and Ohio PIP programs work pretty much along those lines. Yes.

MR. FISCH: Okay. Well, that is something -- was something that we considered. It's something that we opted to and something that we wanted to approach this panel on.

That information there -- and I need to step away from this just for a second because I -- step away from that issue there because this doesn't necessarily pertain to the gas but you are the Public Service Commission. And we have a report here that was issued by the utility

MS. SHEMWELL: Sir, before you move on, could I ask you -- could you answer the question about whether or not you would prefer stable prices or the lowest possible price? That's something we're very interested in hearing. Do you have an opinion on that?

MR. FISCH: That seems to me to be a no brainer. Why would somebody like higher prices over some other package?

MS. SHEMWELL: So it would be stability?

MR. FISCH: Stability may mean something to somebody who is in the markets. As long as Laclede Gas is offering their budget program, why would we -- low prices is all that matters to us. Where you're saying the stability is -- we don't have any control over the stability of the market. Only the people that are in the industry do that. We wish we did. We wish there was a citizen's council to review this. We wish you guys were elected officials. That way we could vote you out of office if we didn't like what you were doing.

The way it is now, you're appointed by the Governor. I don't think that's right. I think that y'all should be elected officials, anybody that sits on this Commission.

MR. WOOD: I should note that the folks that are here from the Public Service Commission are PSC staff.

MR. FISCH: I kind of figured that. They sent you down here to take the brunt of this. I'd like to know something. This is a report called Money and Power from the Missouri Reliance Campaign for Finance Reform -- for campaign finance reform. It makes some interesting points about the people that sit on the Public Service Commission, and it also makes interesting points about who's contributing money and for what and what it goes to. A person that just initiated four bills that's up there for the -- I know this isn't a gas issue, but please allow me to speak to this. There are four bills that have just been introduced to the senate. These bills are to deregulate AmerenUE. It seems here that Carole Jean Mays, who is a democrat, received \$38,000 in total funds that was given to her from -- well, see, this says top 15 representatives by totals from the utilities industry sources. This table represents 15 members of the current 2001 Missouri House of Representatives who relieved the highest total campaign funds in the 2000 election cycle from the electric companies and their trade associates, employees and unions. And the lady that wrote these bills and introduced them is named Carol Jean Mays, and she received \$42,438 in the 2000. That was last year. We don't know what she is going to get this year.

MR. WOOD: I understand where you're going, sir. This group --

MR. FISCH: I know. But I'd like for everyone else in the room to understand that campaign finance reform is a big problem for people. Because we'd like to see a lot of changes in the government. We can't do that as long as they have all the money when they're running for office. So if nobody else -- that means poor people can't get elected, and consequently, poor people don't get represented. Frankly, I'm sick of it.

MR. WOOD: Thank you, sir.

MR. FISCH: I won't stay at this meeting a minute longer. I don't need your website. I'll get it myself.

MR. WOOD: Thank you, sir.

Next we have Tom Schultz.

MR. SCHULTZ: My name is Tom Schultz. I want to thank Laclede Gas. They did try to do the best they could during the winter.

The problem -- what I have a problem with being a consumer, is that, first of all, every -- I don't know what you pay for the Btu unit. All right? When you use -- how much the pilot light is worth. At one time, it was in the cents and now it's \$10.00 minimum. If you don't use the gas, they charge you. If you use the gas, you're charged. You see? There's no -- there's no -- what you're saying -- you can't use this and then we won't charge you because you get charged anyway. That's what I don't understand about Laclede Gas or the electric company, but we're just talking about Laclede Gas.

We had a thing in St. Charles with the water company. They wanted a 54 percent increase.

Subsequently, with the Service Commission, they got eight percent. And the thing of it is is this room here was really -- it was full last time. Everybody should be here. I think the whole city should be here because everybody is involved in this.

And I don't know whether Laclede Gas -- you know, the market prices -- I don't have a prospectus. All I know is that if you use a Btu unit at 68 degrees temperature in the house, you're charged whether you turn it down to 50. It's the same price.

I have the budget plan, but the budget plan went up \$16 a month, which is fine, you know, if you have to do that, but the thing of it is is that nothing else changes. You see? When you quit using it, it doesn't change. I never got the decrease. The winter is fine. It's April now. Why am I still paying 16 percent?

MR. PENDERGAST: If you're on budget billing, sir, we did make one adjustment. And not all customers, just because of what they had in their accounts or what their deferrals are and when they started the budget billing, were eligible for an adjustment but most of them were. We made one, I believe it was, back in April. We actually made a bond with the Commission to do it out of time because normally we only make those adjustments in February and then we make them again in

the summer. If you didn't get an adjustment last time, you should go ahead and get one this summer.

But I've got Gloria Thirdkill over here, too, who is with our Customer Service Department. If you have any questions about your billing situation

MR. SCHULTZ: Oh, no. I don't have a billing problem. Mine is up-to-date. The only thing we're talking about is prices of increase.

MR. PENDERGAST: Sure.

MR. SCHULTZ: That's where I'm sticking at right now.

My bill is paid up as of -- February's bill is paid up. The thing of it is that I'm saying is that paid X amount of dollars per month all year long. So then when the winter came, with your explanation, it went up 16 percent, so now I'm paying 50 something. It doesn't sound like a lot, but the thing of it is is now it's April, the winter is gone and you're still charging me for the winter price.

MR. PENDERGAST: Right. And one thing that I ought to point out, I indicated earlier in my comments, is when our prices went way up -- and during January we were paying almost \$10 for each Mcf of gas that we were purchasing. Our rates, at that time, had a gas cost to them of about \$5.30. So we built up a pretty big deficiency from what we were not collecting from our customers and what we were having to pay.

MR. SCHULTZ: Why didn't Laclede Gas Company complain about the people that overcharged them? You see? Don't you have a right to bitch, too?

MR. PENDERGAST: Yeah. You know, it's really unfortunate that -- you know, they commoditized this market -- we had a little discussion about that earlier -- oh, about 15 years ago, 20 years ago. They decided to go ahead and deregulate it. They decided to go ahead and let market forces control that rather than regulation. And, quite frankly, at that time, Laclede Gas expressed a number of concerns about that expressed some concerns about what that might ultimately do with regard to prices, what it might ultimately do with regard to stability and that type of thing. And, you know, quite frankly, for about the first 10 or 15 years, prices were pretty low. You know, over the last couple of years, before this winter, prices were around, you -- you know, anywhere from \$2.00, \$2.50 to \$3.00 Mcf on average.

One of the problems that created was there just wasn't a whole lot of money going back to people that were drilling. They weren't keeping up their marginal wells. They didn't have the financial resources really to do as much exploration as they had done in the past. All the while, you had electric generation using more natural gas. You had this big boom in the economy. Computers, believe it or not, is using a lot of natural gas because almost all of the electric generation is using that natural gas instead of using coal and instead of using nuclear. And all of these forces came together and we also had one of the coldest Novembers and Decembers on record. You just saw those prices shoot up. Did they shoot up maybe higher than they should have? There's a lot of people that looked at that just like looked at gasoline last summer and they're looking at it this summer to see if anything fishy is going on.

But as I indicated, we're not happy when that happens. We think we need to go ahead and have a sound national energy policy that tries to address this in an intelligent way, that tries to go ahead and make sure that we have adequate supplies and those supplies are being used for the right thing.

And anybody that is interested in joining us in trying to go ahead and, you know, contact and be active with our national officials to go ahead and see that happen, you know, we'd be interested in talking to you. They do have some bills up in the air. Obviously, the administration is going to come out with an energy policy pretty soon and give us their ideas. But we need to do something about it. We have got a situation here with energy, whether you're talking about gasoline, whether you're talking about electric, whether you're talking about natural gas, that really does need some attention.

MR. SCHULTZ: The other thing -- when a pipeline breaks, Laclede Gas Company is responsible for it, does that go into the rate increases, also, beings that Laclede is responsible for their own lines outside of some construction company? You know, let's say your pipe gets old --

MR. PENDERGAST: Sure.

MR. SCHULTZ: -- and the connection fails and all this gas is going up in the air. Is that part of the -- do you charge for that problem?

MR. PENDERGAST: We do have a loss and unaccounted for in our rate which is a relatively small portion of the rate that does take that into consideration. But I have to tell you -- and I have Joe Schulte over here, too, who used to work out in the field and now represents our labor union. One of the major problems we've had as far as serious incidents involving breaks in our gas pipes and that type of thing is third-party damage from contractors. We lost an employee, as a matter of fact --

MR. SCHULTZ: I remember that.

MR. PENDERGAST: -- yeah -- not too long ago. And, you know, this big telecommunication's resolution -- everybody is out there putting in fiber optics cable to everybody's house and going throughout neighborhoods. We actually got some legislation in this year that's designed to go ahead and hopefully tighten up what people do when they go out there and bore into the ground so that we don't have that kind of third-party damage and we don't have gases escaping from pipes and we don't have people running into underground electric wires.

MR. SCHULTZ: The other thing is -- I was noticing here is they want to do state control. That's just an option, that's not what the state is going to do; right?

MR. WOOD: That's one of the options on the list.

MR. SCHULTZ: Is that on a congressional vote as we speak now, them taking over the utilities?

MR. WOOD: No. I don't believe so.

MR. SCHULTZ: I hope not. I like free enterprise.

MR. WOOD: I take it that's a check against doing that thus far?

MR. SCHULTZ: Right. That's true.

MR. WOOD: Nobody is voting in favor of that.

MR. SCHULTZ: I can't see doing that.

MR. WOOD: It was one of the people on the task force that said he wanted that on the options list.

MR. SCHULTZ: Well, then, they have a problem.

Like I said, Laclede Gas has always been serviceable. The only thing is is that you're talking about a rate increase. And the thing of it is on a rate increase, okay, like we had with the water company, which fortunately I helped, you know, -- made a speech on that one and stopped that, too. Elected officials said no. But the thing of it is is every time you have a rate increase, the state and the federal government have their tax increase. Now, see, that's a problem, also. They don't do -- you know, they're talking about the service to the community. I think if the government has a surplus with the money that they made -- let's say it's X amount of dollars in April and there's a rate increase due in February. Why does the state and federal government get to get their increase? Because they already have got a surplus. It's not like they're hurting.

MR. PENDERGAST: That's a real good point.

MR. SCHULTZ: Has Laclede Gas ever brought that up to their attention? This is your business, see.

MR. PENDERGAST: That's a real good point.

Everybody gets a telephone bill and everybody gets a gas bill. You look at that and see franchise taxes. And particularly in the telephone area, you get a bunch of other ones, too.

MR. SCHULTZ: They have a lot of them now.

MR. PENDERGAST: But, no. If you look at our business and you look at the contribution that federal income taxes makes toward what the customer pays, the property taxes that we have to pay, the franchise taxes that we have to pay, the sales taxes that we have to pay -- just to kind of put it in perspective, out of every dollar you pay, the amount that goes to compensate our investors, if you will, for the 15,000 miles of pipe that we have and the money they put in to go ahead and keep that running is right around a nickel out of a dollar.

If you look at the tax component of that, that goes to all of these various taxes, that's probably more in the neighborhood of about -- I would just guess off the top of my head fifteen cents to twenty cents, and the rest of it is

going to be gas costs and maybe ten cents for just expense and that type of thing. So taxes are a very big part of what the customer ultimately pays.

MR. SCHULTZ: When any utility company builds a building and -- they pay a personal property tax, so that cost is up on us.

MR. PENDERGAST: Sure.

MR. SCHULTZ: I think the state can help that out. They don't have to charge a kazillion dollars on personal property, you know, when they have already got -- the tax was fine at, let's say, a million. So you build at \$3 million and they want to tax at \$3 million which wouldn't be bad if just Laclede paid the \$3 million. But they don't shut up, see. They write down there tax, you know, the increase, see, and then they say, well, we have a tax rate, you see, you know -- so, okay, now you have to pay -- now they're charging you some more money on this pilot light. Now it's \$10 a light. At one time it was sixty-seven cents. But we won't get -- but I'm just saying it's \$10 just to run a pilot light. Then when you build a building and they charge it, it's \$15 to run a pilot light.

MR. PENDERGAST: Yeah. And that's what I was talking about earlier. You know, we have these fixed costs, you know, the pipes we have in the ground, the vehicles, the buildings and that sort of thing, and they don't really vary depending on how much the customer uses -- about half of those costs. This is just the cost for delivery of gas, not for the costs of the supplies themselves -- is recovered through that fixed charge that you're talking about. The other half of the cost is collected through a volumetric charge that goes up and down depending on how much you use. And the thing is, if the fixed charge is higher, when your usage goes up, you're going to go ahead and pay a little bit less. And when your usage goes down, because maybe it's warmer out, you're going to go ahead and pay a little bit more.

MR. SCHULTZ: The thing of it is is you never pay less. You know, every time there's a tax rate -- not rate but a rate increase in the bill -- forget about taxes. Every time Laclede Gas comes up with a rate gain, it stays there. It remains the same or it goes up the following year. It's been doing it -- I -- at least the last 10 years. It has never went down.

MR. PENDERGAST: Well, you're talking about the fixed part?

MR. SCHULTZ: Well, yeah. Whatever your gas bill -- anytime you had a 16 percent increase, like this last time -- one year you might have had a three percent. Thing of it is is when the summer comes -- and I know a lot of people have air-conditioners but not everybody has got gas air-conditioners. And when the summer comes, the rate increase is never decreased. You still keep 16 percent, you know. You don't go down three percent. I have never seen it yet in the last -- at least the last 10 years. I don't ever remember it going down, you know, just since I have been in the homeowner thing. It just keeps going up, up. You're always talking about it being down in the summer. It doesn't do that. Laclede Gas is not -- you know, I know they're not into it as a charity case, but you don't have to -- you know, I don't think Laclede Gas just has to keep going up, up, and up all year long. I can see you talking about February, 16 percent. April is here. I don't see a decrease. That's what I'm talking about. And the Public Service Commission, just like the water company, they want a 54 percent across-the-board increase for a plant that wasn't even being used here, and you guys aren't any different, you know. And that's what I'm saying about these things of -- you know, flat rate fees. There is no flat rate. The only flat rate fees there is is what's convenient for the corporation and for the State of Missouri, you know. And they really don't have the consumer in mind because when they build the pipeline, they can charge. That's what you're saying. We have to build this, we'll charge you. We'll build this, we'll charge you no matter what.

Somewhere along the line, somebody -- who's drilling or oil companies or somebody is going to have to give up a billion. You know, when the company makes \$29 billion and they make \$5 billion in three months, you guys can give \$1 billion back. It's not like you -- you know, they're not going to lose an airplane. I know corporations like to fly all over the place. Executives love it. It's part of the deal. But I think they can give up something to give people a little bit of breathing space. Sometimes you can take the gold trim out of the window or something on a brand new building. It goes along with the oil companies, gas companies, Union

Electric. They built a fancy thing, too. That's the only thing I'm saying. I'm not saying the government should take over. I don't want that. America wasn't built for that. But I don't think gouging the individual because you guys can build a pipeline and say, well, we need it -- that don't make a whole lot of -- take a whole lot of brains there, you know, to say, all right, we go 16 percent in February, we'll give you a break in April. That's not happening. Or in July even. So I don't know. I guess -- you know, Public Service is going to have to make up their mind here. I just think for every time -- if you do a rate increase, they shouldn't tax it.

MR. WOOD: You're referring to reducing them or setting the tax -- MR. SCHULTZ: Let's say -- they go up 16 percent, the government goes up a certain percentage of that 16 percent, the tax break on that 16 percent goes to the state and federal government.

MR. WOOD: Understand the Public Service Commission doesn't authorize or charge those taxes.

MR. SCHULTZ: Well, I understand that. But I'm just saying you guys should bring this -- you guys are part of this deal, though, you see. You're making all these recommendations. You don't have nothing to say now on the tax portion?

MR. WOOD: There are people in the legislature that have been approaching the idea of doing something about the taxes.

MR. SCHULTZ: But isn't that your -- okay. When you come to this meeting, you're giving all of this information -- you have people in the legislature that you talk to; right? Aren't you a liaison between the executive and the legislature?

MR. WOOD: There are people in the legislature on this task force, as a matter of fact.

MR. SCHULTZ: What input do you have, then, on -- what I'm saying is, what are you doing here then?

You hear what I'm saying? I'm not --

MR. SCHULTZ: The majority of your bill this winter was gas costs, and that's why we are here --

MR. SCHULTZ: Okay.

MR. WOOD: -- to talk about how to allocate those costs and some changes as to how that process works in the future.

MR. SCHULTZ: All right. But the taxes are included in that?

MR. WOOD: Yes, but it's not the majority of the bill. The majority of your bill is gas costs.

MR. SCHULTZ: And you don't -- you don't even consider that tax thing?

MR. WOOD: If it's something you would like us to put on here as an option, say let's approach trying to do something to limit franchise taxes, we'd be happy to do that.

MR. SCHULTZ: You can do that.

MR. WOOD: Okay.

MR. SCHULTZ: You can put that on the list.

MR. WOOD: It's in the record right now. Thank you.

MR. SCHULTZ: That's fine. I guess that's all I have to say. I think that you ought to really look at that 16 percent and -- versus April. Not everybody has a gas air-conditioner. And decrease that a little bit. You know, like I said, Laclede could do without an extra window in their office. I realize that people make profits, but, you know, everybody wants the fancy room, push-button bar and stuff. You know, they can do without a little bit, you know. I have. So I appreciate it. Thank you very much.

MR. WOOD: Thank you very much. Now we have a Zaki Baruti. Could you spell your name for the court reporter?

MR. BARUTI: Okay. Zaki, Z-a-k-i. Baruti, B-a-r-u-t-i.

Before I give my comments, I have a couple of questions. Number one, how often are you meeting across the area, and how is the information going forth?

MR. WOOD: Do you mean the public meetings?

MR. BARUTI: Yes.

MR. WOOD: This is our second of six meetings.

MR. BARUTI: Second of six?

MR. WOOD: Yes. The next one would be in Jefferson City on May 10th. And then there will be one in Kirksville, in Sikeston and then in Joplin for a total of six meetings, then we will go to three task force meetings and then complete our report for the Commission.

MR. BARUTI: Okay. Only reason I say it is I was just curious as to -- I'm sure with the impact the increase of the rates that -- if people were really conscious of the meeting, this room would have really been full.

MR. WOOD: I know there were two articles plus a commentary in the St. Louis Post. I was on a call-in show on the radio a couple of days ago, and we were on the radio this morning during rush hour in St. Louis. I'm actually surprised we didn't have more people show up.

MR. BARUTI: Right. Because I would have recommended you maybe should have taken some full ads, especially like in some of the black weekly newspapers.

There are a number of black weekly talk programs. Because a lot of the people who are impacted by these rate increases come from the black community. And so, in hindsight, I'd like to just say that maybe it should have been a position you should have taken.

Beyond that, my comment is -- first and foremost, it's my belief that people, on the basic principle, should have the right to have heat during the winter months and cool -- coolness during the hot summers. That should just be a basic human right in this city, in this country.

So to that end, in terms of recommendations, the first and foremost recommendation that I would submit to the task force is that the task force ought to bring it to the governor and all of the executives of this state along with the state legislators that they ought to have a lobby date in Washington, D.C. led by our governor as the Show Me State to call for the federal government to re-regulate these gas producers at the wellhead. That should be first and foremost as a principle position with the concept that there ought to be a rollback in the rate utilities.

Then the second point that I would like to just bring over is -- I noticed that -- and the person from Laclede Gas can correct me or not -- that I do believe in the last fiscal year there was a profit of over \$25 million -- am I correct -- for the shareholders?

MR. PENDERGAST: That sounds about right.

MR. BARUTI: Okay. Well, then given the circumstance that -- of how this has so negatively impacted huge numbers of people, I differ somewhat with the prior two speakers. I think that if it comes to making people have to choose between paying these high utility bills or their groceries or the rent, I think that's morally wrong and that I'm in favor of the whole position of nationalizing the industry, oil and gas industry, kind of like bringing it in line like how we have government ceilings for, say, the governor's paycheck and what have you. And that way it guarantees the people to have what I had said earlier, heat and cool air during, you know, the hot months.

So that's the position that I think ought to take place. Whatever you do, people out here are suffering at all levels. The increase that's been placed on people has caused some really social problems because people -- we already have a high crime rate. In order to survive, they're going to do whatever it is to survive. I think it's incumbent upon the government to not have a situation where we have a government of the rich and for the rich and by the rich but -- it should be of the people, by the people, for the people. And that given the fact that that \$25 million profit -- if those people had any humanness in them, they ought to put that back in and help those people whose gas has been cut off as it relates to some form of justice.

So that's how I feel. And I feel that whatever you can do to roll back those prices -- like I said early on, that this executive government ought to lead the charge for the nation at the White House saying that we have got to regulate, you know, the prices at the wellheads. So I just want to --

MR. WOOD: Thank you very much, Zaki. Your thoughts have been taken down and will be given to the task force groups that are developing this. I did hear a number of options we hadn't considered thus far.

Thank you.

MR. BARUTI: Okay. One other thing, when you were asking about the question of stable rates versus lower rates. As one person said, that's a no-brainer. Everybody wants lower rates, as I see it, you know.

MR. WOOD: Regarding more stable versus lowest possible rates. The current structure that we have in terms of a larger percentage of contracts riding the index market, like we did this last winter, was structured with an objective of achieving the lowest possible rates. When we talk about stabilizing rates, we're, to some degree, talking about some investments, basically premiums for price insurance and recognizing that over the long-term you might pay a little bit more to have that stability in rates versus lowest possible rates. That's kind of where we come from when we talk about stabilizing rates.

Over a period of five years, if you paid a little bit more, let's just say five percent more just for a number, over a period of years but you saw your PGA rate change very little over that period of time, would you prefer that to seeing -- paying a little less over a five-year period than seeing spikes in the winter of \$6.00, \$7.00, \$9.00 per cubic feet like you did this past winter?

MR. BARUTI: Well, I have to analyze that.

MR. WOOD: Yeah. There are different purchasing strategies to achieve Option A or B, and that's why we ask that.

MR. BARUTI: Right. Let me ask you one other thing. Under Group 2, Alternative Recovery Mechanisms for Low and Fixed Income Customers, exactly what are you advocating there?

MR. WOOD: There are some states out there right now that have programs to where a small amount of money -- I think in Kentucky or Ohio it works out to about \$1.50 per customer over a period of a year. It translates out to about one-and-a-half pennies per hundred cubic feet of gas increase over what you would have paid otherwise, it then goes into a fund that is distributed to the low income assistance groups.

MR. BARUTI: Isn't that similar to what they already have in place?

MR. WOOD: One big difference. Laclede's program is voluntary. Whoever checks it contributes the dollar. These programs in a number of other states, if you buy gas, you're contributing to that fund.

MR. BARUTI: Oh, okay.

MR. WOOD: It's a little different.

MR. BARUTI: Okay, then. All right.

MR. WOOD: Thank you. Are there some other people that would like to speak? Feel free.

Would you give us your name?

MR. ELLS: Bill Ells, E-l-l-s.

MR. WOOD: Thank you.

MR. ELLS: A couple of things in reference to the tax question. If you look at your Chart 3 -- I think it really is pretty dramatic. It looks to me like the increase in gas cost, that is, customer cost, was about \$72.00, and the increase in the taxes on that rate was about \$5.00 which is like 15 percent. It seems to me, to have that tax being based on that gross price, really is an unfair situation, and I think it really should be addressed by this body. The other thing that -- I was wondering whether or not Laclede has been -- is concerned about the consolidation in the gas producing industry. It seems to me that this last summer that there was a merger of two of the major producers that drew very, very little attention publicly. And that seems to me to be one of the major issues that we have. It's not a Missouri issue. It's a federal issue. But I think that the gas -- the local gas suppliers should be taking a much stronger lead in that. And maybe the reason here -- the thing that Missouri can do is to make the incentive program hurt the gas company a little more so that they actually have more incentive to try and bring those prices down.

MR. WOOD: Thank you very much.

MR. FISCH: I have a few more comments, if you don't mind.

MR. WOOD: Sure.

MR. FISCH: I'd like to start off by saying I'm sorry, if I got a little emotional. I must apologize. And I realize that you guys are staffers here, so I realize that I'm not really getting to the core of the Public Service Commission.

I'd like to point out that nobody has anything against labor because we know you guys work hard, and we know you work in all kinds of weather and do the hardest kind of work. That's why nobody is firing any comments at you guys. We love you. We know the hard work and everything that you guys do.

One thing I'd like to reiterate -- I know I already said this, but I want to say it again. The Alternative Recovery Mechanisms for Low and Fixed Income Customers, however you term it, it's an issue that I'm going to take back to the Greens, I guarantee you that, because I meet with them weekly.

I have a question for the gentleman from Laclede Gasoline. What was your name again, sir?

MR. PENDERGAST: Mike Pendergast.

MR. FISCH: Mike Pendergast. That's right. I'm sorry. Where do you guys -- where do you guys actually purchase your gas? I mean, I know you get it out of some sort of pipeline. But you buy options from who? Where do they come from?

MR. PENDERGAST: Well, if you're talking about the -- where the price insurance financial instruments were purchased, those were all purchased on the NYMEX market. The NYMEX was created about four, five years ago, and it was created specifically for the purpose of allowing futures prices and --

MR. FISCH: What are the letters on it?

MR. WOOD: N-Y-M-E-X. You have one for New York and one for the foreign exchange.

MR. FISCH: N-Y-M-E-X?

MR. PENDERGAST: Yeah.

MR. FISCH: Okay. And -- well, that's basically all.

The other comment that I have -- and this is not directed at you guys. It's another suggestion. You can tell the Public Service Commission for me that if they really want to do something to help they should send in letters of resignation saying that they vacated the public's trust. And they can ask Bob Holden to do the same thing.

MR. WOOD: Are there any other comments?

Certainly. Come on up. If you could, just give your name then for the court reporter.

MR. LAMONICA: It's Rick Lamonica, L-a-m-o-n-i-c-a.

My statement is -- and I don't know if there's any way that Laclede can set a minimum rate that would stay fixed so that there's a certain amount of rate that everybody would get without having to worry about these price fluctuations so that low income people would at least have a minimum amount of gas they could use. People that use a lot of gas should be charged more.

One of the things that you're not doing in there, as was mentioned -- the whole problem with deregulation which was stuck on us by the federal government. I thank Laclede Gas because I think they were warning us of the problems that would come down the road when that was done. I didn't realize it was 15 years ago.

The other thing nobody is talking about seriously is conservation. If we increase our building codes, weatherize our homes better, both heating costs in winter and cooling costs in the summer would go down. And there's always going to be a limit of fuels available, and a growing population -- we just seem to squander it in this country much more than anybody else.

One question I have is are the natural gas companies the same as the oil companies that supply oil and heating -- heating oil, gasoline, or are there companies that just mine natural gas, pump out natural gas, whatever you call it?

MR. PENDERGAST: I think -- if you look, I think you'll find most of the big oil and natural gas companies are involved in both.

And, you know, just to make it very clear, I mean, you know, as Warren, I think, indicated with one of these handouts, you basically have three

segments in the natural gas industry. You have the production segment and marketers and brokers that buy gas from the producers and resell it. You have got the big interstate pipelines that transport it from the field to the various local distribution companies like Laclede. Then you have local distribution companies, as I said, like Laclede. By and large, local distribution companies like Laclede don't have any interest in the big production companies and big marketing companies. You know, we have got a little marketing company of our own that --

MR. LAMONICA: Could you give us some of the names of the big companies that dominate the gas market?

MR. PENDERGAST: Well, you've got Exxon. Mobile. You've got Duke. You've got Reliant. You've got -- I'd say those are the some of the big ones.

MR. WOOD: Yeah. I would note that before going into this winter, before natural gas prices came up, many of our largest natural gas producers in the country had sold many of their holdings because of the relatively warm weather and low prices. Going into this weather, about 65 percent of the natural gas in the United States was provided by about 7,000 small independent producers. Most of our natural gas was not provided by the big companies we just discussed.

MR. LAMONICA: It seems like they have an incentive for creating shortages which they can then justify for upping the rates because they're the only ones that have the gas, and you're stuck paying for that. They're going to charge you. And it's just passed along to the customer at our end. There's a problem with that kind of deregulation that puts everybody at the mercy of a few corporations -- multi-national corporations that control the oil resources.

MR. WOOD: Thank you. Is there any other comments?

MS. LEWIS: Yeah, just one more.

MR. WOOD: Could you give your name, please.

MS. LEWIS: Lydia Lewis, L-y-d-i-a L-e-w-i-s. I used to work in contracting for a while, and we used to have to figure profit and overhead. What is the \$25 million as a percentage of profit? What percentage of that is your operating budget?

MR. PENDERGAST: Of our operating budget?

MS. LEWIS: If you converted that into a percentage, are you making 10, 20, 50?

MR. PENDERGAST: If you're talking about what that is as a percentage of what we billed the customer, it's about five percent. We have a gross profit margin of about five percent.

MS. LEWIS: What do you mean by what you bill the customer? I'm used to taking costs and expenses, adding overhead and then you put a percentage on it for profit. Is that anything different than billing the customer?

MR. PENDERGAST: Yeah. If you're talking about our total costs -- if you look at the cost of the gas we buy, the cost of the mains we have, payroll that we pay our people and that sort of thing and then you look at that \$25 million, it would be right around five percent of the total cost picture.

MS. LEWIS: Okay. That makes more sense to me than just \$25 million. That would be 50 percent or two percent, depending on what you base that on?

MR. PENDERGAST: Sure.

MS. LEWIS: Is Laclede Gas exploring alternatives to gas? I know that this is your business, but this is not a renewable resource. And the Public Service Commission should -- you know, one of these days gas will run out just like oil. Are we going to rush up to the cliff and fall off?

MR. WOOD: Actually, you bring up a good point. The governor's energy policy task force is addressing that issue in parallel with this group.

MR. FISCH: The governor's what?

MR. WOOD: Energy policy task force. And they're concerned with alternative renewable and long-term energy policies for the State of Missouri. They're also addressing electric and natural gas transmission as well as long-term supplies. I would imagine as well fuel sources for those supplies and where we should go in the State of Missouri in the future.

MS. LEWIS: So somebody is looking at it?

MR. WOOD: Yes.

MS. LEWIS: Okay.

Who is controlling the wellhead cost? Anyone?

MR. WOOD: It's currently up to a supply and demand competitive market. If it's a seller's market, the price tends to come up. If it's a competitive market, we would see the prices come down.

MS. LEWIS: You wanted to know when we first came in here, as far as gas bills went -- mine went from \$90 a month to about \$155. My daughter's went from about \$60 to \$65 to \$180. Hers tripled. My mother's doubled from about \$98 to about \$190, and my cousin's also doubled. Now, my mother and I both have a good deal of disposable income, so I grumbled but I paid it. My daughter and my cousin both scrounged to get that money. In fact, my daughter paid the bill and then she said, mom, can you help? I don't have the money to pay my car insurance. So I paid her car insurance because she had to pay her gas bill. And as for the lowest price versus the stable price, like you said, if you -- it -- basically, the stable price is convenience. Any time you have convenience, you have -- you pay a premium. And poor people -- it has been my experience, poor people always pay more because they can't go to the supermarket or the discount store because they don't have transportation.

They have to go to the neighborhood market which is always more expensive. I could afford to say, yes, I want the lowest price because when it spikes in December and January, I can cover it. My daughter could not do that, not without coming to me and saying, mom, can you cover me somewhere else? But everybody should get the lowest price. It's not fair to make people, just because they can't cover a big chopping bill one month -- to make them pay actually more for the same product as somebody else who can afford to.

MR. WOOD: Thank you. Any other comments? No more comments?

Well, since we have no more speakers at the microphone, we'll close this meeting. Thank you all again for attending. I hope you found this to be informative. Your thoughts tonight have been taken down by the court reporter and will be provided to all of the task force members for the development of the different options we're considering. Have a safe drive home, and thanks for attending.

1 STATE OF MISSOURI )

2 COUNTY OF ST. LOUIS )

3 I, Candace A. Quick, a Certified Court  
4 Reporter and Notary Public for the State of Missouri, do  
5 certify that I was present at the Missouri Public  
6 Service Commission's Natural Gas Commodity Price Task  
7 Force public hearing, University of Missouri, St. Louis,  
8 J. C. Penny Conference Room, Room 126, County of St.  
9 Louis, State of Missouri, on the 4th day of May, A. D.,  
10 2001; that thereafter, a hearing was held, commencing at  
11 6:30 p.m. of that day, that all proceedings which then  
12 transpired were contemporaneously reduced to shorthand  
13 by me, and later transcribed into typewriting, and that  
14 the foregoing 44 pages are a true and accurate  
15 transcript of the record of proceedings made by me at  
16 that time.

17 IN WITNESS WHEREOF, I have hereunto set my  
18 hand and Seal this 23rd day of May, A. D., 2001.

19 MY COMMISSION EXPIRES MARCH 5TH, 2002.

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CANDACE A. QUICK, CCR, CSR,  
Notary Public, within and  
for the State of Missouri